



Property Casualty Insurers
Association of America

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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 5010 - AN ACT CONCERNING INFORMATION TO BE SUPPLIED OR DISCLOSED FOR CERTAIN PERSONAL RISK AND SURPLUS LINES INSURANCE POLICIES

COMMITTEE ON INSURANCE AND REAL ESTATE

February 14, 2012

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on HB 5010, which would require information regarding personal lines auto and homeowners policies to be reported to the Insurance Department by zip code and would amend provisions relating to surplus lines insurance. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide 49 percent of Connecticut's personal lines insurance coverage.

PCI is opposed to this legislation because reporting detailed information to the Insurance Department by zip code is a burdensome and unnecessary requirement which serves no clear purpose. In addition, any disclosure of such data beyond the Insurance Department would compromise an insurer's proprietary information and have a negative impact on fair competition in the insurance market in Connecticut. Furthermore, zip code data reporting is a disincentive for new carriers to enter the Connecticut insurance marketplace.

The Insurance Department currently has broad authority to investigate suspected redlining. The Department can request and obtain any information which it requires in conjunction with such investigations. Accordingly, requiring this information to be reported by all insurers writing homeowners and private passenger auto insurance in Connecticut would unnecessarily add to the administrative burden of those companies who are currently in good standing with the Insurance Department. It should be noted that not all insurers collect information by zip code, rather they group policy information by rating territory. For these companies, compliance with this bill would result in significant additional compliance costs because these companies would need to completely revamp their current systems in order to be able to report the necessary information by zip code. Additional compliance costs are ultimately passed on to consumers in the form of higher insurance premiums.

In addition, in order for this disclosure to be potentially useful in any way, Insurance Department staff would have to review and analyze the zip code data reported by each insurer. Insurance Department staff is already overburdened and would likely not have time to conduct such a detailed review which would result in this data being collected for no real purpose.

If HB 5010 is enacted into law, it is imperative that sufficient confidentiality protections be put in place to protect this data. Insurance companies consider zip code information proprietary and confidential and the disclosure of this information could have a highly negative impact on fair competition. If this information were disclosed, competitors could use the information, at minimal cost, to make highly valuable inferences on an insurer's profitability and marketing trends in specific regions, allowing them to avoid or target a particular geographic area.

Accordingly, while PCI would urge the Committee to remove this unnecessary reporting requirement altogether, if the Committee does not do so, it is crucial that strict confidentiality protections be added to the legislation in order to protect fair competition in these markets. Any public disclosure of data must be on an aggregate basis; otherwise it may be unfairly used by competitors. Competition in the market place is good, but unfair competition is counter-productive to a healthy private insurance market.

For the foregoing reasons, PCI urges your Committee to not favorably advance HB 5010.